

CENTRAL INTELLIGENCE AGENCY  
**INFORMATION REPORT**

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COUNTRY	East Germany	REPORT	
SUBJECT	Terminology for Economic Reporting	DATE DISTR.	24 November 1954
		NO. OF PAGES	3
DATE OF INFO.		REQUIREMENT NO.	RD
PLACE ACQUIRED		REFERENCES	

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This is UNEVALUATED Information

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The following terms are used in reports on the East German economic field:

1. Warenproduktion zu effektiven Preisen:

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This term has exactly the same meaning as the more usual terms Warenproduktion zu Abgabepreisen or Warenproduktion zu Werkabgabepreisen or Warenproduktion zu Warenabgabepreisen. All three terms have been used for the same thing. The use of the term Warenproduktion zu Werkabgabepreisen is now the one most frequently used. Use of the term effektive Preise has mostly occurred in the SAG enterprises which used a nomenclature slightly different from the one used in the VEBs. All price terms mentioned here mean the same thing, namely: factory sales prices. Warenproduktion zu effektiven Preisen therefore means Warenproduktion expressed in factory sales prices.

- a. Warenproduktion: It is the total of products produced for sale by an enterprise during a given accounting period. This production includes not only products of the usual character but also other production for which money is obtained, such as repairs carried out for other enterprises, subcontract work (Lohnarbeit), semi-finished products, etc. Warenproduktion is usually but not always expressed in factory sales prices (Abgabepreise, Werkabgabepreise, effektive Preise).
- b. Bruttoproduktion (gross production) is the total of all products produced by an enterprise during a given period regardless of whether these products are to be sold or used up in the enterprise, that is, Bruttoproduktion includes also those items which are consumed in the enterprise during the production process and which are either not sold at all or only in a processed form. For example, if an enterprise produced a total of 500,000 kwh of power, of which 50% is used up in the production process of the enterprise, whereas the remaining 50% is furnished to the power net of the DDR, the Warenproduktion of power of this enterprise is 250,000 kwh, whereas its Bruttoproduktion of power is 500,000 kwh. In this connection, Bruttoproduktion often lists the same item two or even three times, for example: the same enterprise may produce wool, yarn and sweaters. The wool produced may be entirely used up for the production of yarn. The yarn produced may

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be entirely used up for the production of sweaters. The Warenproduktion of this enterprise therefore consists of nothing but sweaters. Its Bruttoproduktion, however, lists the sweaters, as well as the yarn from which they are made and the wool from which the yarn is made. In the Bruttoproduktion of the enterprise the sweaters appear once, the yarn appears twice, and the wool appears three times. Bruttoproduktion therefore, never gives an idea of the actual extent of production for sale and, as a rule, is therefore not expressed in actual sales prices. It is expressed, as stated above, in constant values (Messwerte).

c. Warenproduktion is usually listed in Abgabepreise, Bruttoproduktion usually in Messwerte.

## 2. Umsatz zu Abgabepreisen

a. Umsatz (turnover) essentially is the total amount of products sold during a given period. It therefore appears that Umsatz is only another expression for Warenproduktion zu Abgabepreisen. However, the latter term also includes, for example, semi-finished products which remain in the enterprise for further processing at the end of an accounting period and therefore do not appear in the Umsatz of this period; also products produced for sale but not yet sold. In the essence, Umsatz means the total of what is sold at factory sales prices during a given period. It is therefore understandable that Umsatz is expressed in Abgabepreise.

## 3. Selbstkosten der Warenproduktion

a. Selbstkosten are the same thing as Kosten and mean costs of production. The costs quite naturally bear on Warenproduktion and not Bruttoproduktion. Concretely speaking, the costs are composed, among other things, of costs of material (raw material), amortizations (buildings and equipment), power and fuel, transportation, wages and salaries, social fees, taxes, interest on cash loans, administration, etc. It is important to know in what way Kosten or Selbstkosten and Umsatz determine the profit of an enterprise. Following is the rule to be applied: Umsatz minus Selbstkosten is the Produktionsergebnis (production result.) In addition to the production result, there is another result called Sonstiges Ergebnis. This latter term includes all gains or losses made in the preceding accounting period (or in preceding accounting periods) which have not yet been accounted for. As examples: penalties inflicted upon an enterprise for not fulfilling delivery terms, other penalties, or retrieving of bad debts stemming from preceding periods, etc. Sonstiges Ergebnis is usually negative. Produktionsergebnis and Sonstiges Ergebnis added together constitute the gross profit (Bruttogewinn) of an enterprise during a given period. (If Sonstiges Ergebnis is positive, it increases the Produktionsergebnis; if it is negative, it diminishes it.)

## 4. The Bruttogewinn in turn is composed of the following parts:

Nettogewinn (net profit)

Koerperschaftssteuer (corporation tax)

Direktorfonds I

Direktorfonds II

The corporation tax is 65% of the gross profit. Direktorfonds I is 3%, Direktorfonds II is 1% of the total paid for wages and salaries. No part of the production of a VEB (socialized plant) remains at the plant. Everything is transferred to the Government with the exception of the two director funds. Ninety percent of Direktorfonds II remains in the enterprise and is used for the payment of inventions, propositions for improvements, etc. Ten percent of Direktorfonds II

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is transferred to the Main Administration responsible for the enterprise, where it is collected in a Zentraler Rationalisierungsfonds. Direktorfonds I remains entirely in the enterprise and is used for social and cultural affairs.

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